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HOUSE BILL 2028

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State of Washington

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By Representatives Santos, McIntire, Schual-Berke, Ericks, Conway, Simpson and Ormsby

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1 AN ACT Relating to property tax relief for senior citizens and  
2 persons retired by reason of disability; amending RCW 84.36.381,  
3 84.36.383, 84.38.030, and 84.64.050; adding a new section to chapter  
4 84.36 RCW; adding a new section to chapter 84.55 RCW; and creating a  
5 new section.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 84.36.381 and 2005 c 248 s 2 are each amended to read  
8 as follows:

9 A person shall be exempt from any legal obligation to pay all or a  
10 portion of the amount of excess and regular real property taxes due and  
11 payable in the year following the year in which a claim is filed, and  
12 thereafter, in accordance with the following:

13 (1) The property taxes must have been imposed upon a residence  
14 which was occupied by the person claiming the exemption as a principal  
15 place of residence as of the time of filing: PROVIDED, That any person  
16 who sells, transfers, or is displaced from his or her residence may  
17 transfer his or her exemption status to a replacement residence, but no  
18 claimant shall receive an exemption on more than one residence in any

1 year: PROVIDED FURTHER, That confinement of the person to a hospital,  
2 nursing home, boarding home, or adult family home shall not disqualify  
3 the claim of exemption if:

4 (a) The residence is temporarily unoccupied;

5 (b) The residence is occupied by a spouse and/or a person  
6 financially dependent on the claimant for support; or

7 (c) The residence is rented for the purpose of paying nursing home,  
8 hospital, boarding home, or adult family home costs;

9 (2) The person claiming the exemption must have owned, at the time  
10 of filing, in fee, as a life estate, or by contract purchase, the  
11 residence on which the property taxes have been imposed or if the  
12 person claiming the exemption lives in a cooperative housing  
13 association, corporation, or partnership, such person must own a share  
14 therein representing the unit or portion of the structure in which he  
15 or she resides. For purposes of this subsection, a residence owned by  
16 a marital community or owned by cotenants shall be deemed to be owned  
17 by each spouse or cotenant, and any lease for life shall be deemed a  
18 life estate;

19 (3) The person claiming the exemption must be (a) sixty-one years  
20 of age or older on December 31st of the year in which the exemption  
21 claim is filed, or must have been, at the time of filing, retired from  
22 regular gainful employment by reason of disability, or (b) a veteran of  
23 the armed forces of the United States with one hundred percent service-  
24 connected disability as provided in 42 U.S.C. Sec. 423 (d)(1)(A) as  
25 amended prior to January 1, 2005. However, any surviving spouse of a  
26 person who was receiving an exemption at the time of the person's death  
27 shall qualify if the surviving spouse is fifty-seven years of age or  
28 older and otherwise meets the requirements of this section;

29 (4) The amount that the person shall be exempt from an obligation  
30 to pay shall be calculated on the basis of combined disposable income,  
31 as defined in RCW 84.36.383. If the person claiming the exemption was  
32 retired for two months or more of the assessment year, the combined  
33 disposable income of such person shall be calculated by multiplying the  
34 average monthly combined disposable income of such person during the  
35 months such person was retired by twelve. If the income of the person  
36 claiming exemption is reduced for two or more months of the assessment  
37 year by reason of the death of the person's spouse, or when other  
38 substantial changes occur in disposable income that are likely to

1 continue for an indefinite period of time, the combined disposable  
2 income of such person shall be calculated by multiplying the average  
3 monthly combined disposable income of such person after such  
4 occurrences by twelve. If it is necessary to estimate income to comply  
5 with this subsection, the assessor may require confirming documentation  
6 of such income prior to May 31 of the year following application;

7 (5)(a) A person who otherwise qualifies under this section and has  
8 a combined disposable income (~~((of thirty five thousand dollars or))~~)  
9 equal to or less than income threshold 3 shall be exempt from all  
10 excess property taxes; and

11 (b)(i) A person who otherwise qualifies under this section and has  
12 a combined disposable income (~~((of thirty thousand dollars))~~) equal to or  
13 less than income threshold 2, but greater than (~~((twenty five thousand~~  
14 ~~dollars))~~) income threshold 1 shall be exempt from all regular property  
15 taxes on the greater of fifty thousand dollars or thirty-five percent  
16 of the valuation of his or her residence, but not to exceed seventy  
17 thousand dollars of the valuation of his or her residence; or

18 (ii) A person who otherwise qualifies under this section and has a  
19 combined disposable income (~~((of twenty five thousand dollars))~~) equal to  
20 or less than income threshold 1 shall be exempt from all regular  
21 property taxes on the greater of sixty thousand dollars or sixty  
22 percent of the valuation of his or her residence;

23 (6) For a person who otherwise qualifies under this section and has  
24 a combined disposable income (~~((of thirty five thousand dollars))~~) equal  
25 to or less than income threshold 3, the valuation of the residence  
26 shall be the assessed value of the residence on the later of January 1,  
27 1995, or January 1st of the assessment year the person first qualifies  
28 under this section. If the person subsequently fails to qualify under  
29 this section only for one year because of high income, this same  
30 valuation shall be used upon requalification. If the person fails to  
31 qualify for more than one year in succession because of high income or  
32 fails to qualify for any other reason, the valuation upon  
33 requalification shall be the assessed value on January 1st of the  
34 assessment year in which the person requalifies(~~((-))~~);

35 (7) For a person who otherwise qualifies under this section and has  
36 a combined disposable income of fifty thousand dollars or less but  
37 greater than income threshold 3, the valuation of the residence shall  
38 be the assessed value of the residence for the previous year, plus two

1 percent. For counties that do not revalue property annually, the  
2 valuation of the residence shall be the previous assessed value plus  
3 two percent for each year since the previous revaluation of the  
4 residence. If the person subsequently fails to qualify under this  
5 subsection only for one year because of high income, the valuation of  
6 the residence upon requalification shall be calculated as if the person  
7 had been qualified the previous year. If the person fails to qualify  
8 for more than one year in succession because of high income or fails to  
9 qualify for any other reason, the valuation upon requalification shall  
10 be the assessed value on January 1st of the assessment year in which  
11 the person requalifies;

12 (8) If the person transfers the exemption under this section to a  
13 different residence, the valuation of the different residence, for the  
14 purposes of subsection (6) or (7) of this section, shall be the  
15 assessed value of the different residence on January 1st of the  
16 assessment year in which the person transfers the exemption(~~(-)~~); and

17 (9)(a) In no event may the valuation under (~~this~~) subsection (6)  
18 or (7) of this section be greater than the true and fair value of the  
19 residence on January 1st of the assessment year.

20 (~~This subsection does~~) (b) Subsections (6) and (7) of this  
21 section do not apply to subsequent improvements to the property in the  
22 year in which the improvements are made. Subsequent improvements to  
23 the property shall be added to the value otherwise determined under  
24 (~~this subsection~~) subsections (6) and (7) of this section at their  
25 true and fair value in the year in which they are made.

26 **Sec. 2.** RCW 84.36.383 and 2006 c 62 s 1 are each amended to read  
27 as follows:

28 As used in RCW 84.36.381 through 84.36.389, except where the  
29 context clearly indicates a different meaning:

30 (1) The term "residence" means a single family dwelling unit  
31 whether such unit be separate or part of a multiunit dwelling,  
32 including the land on which such dwelling stands not to exceed one  
33 acre, except that a residence includes any additional property up to a  
34 total of five acres that comprises the residential parcel if this  
35 larger parcel size is required under land use regulations. The term  
36 shall also include a share ownership in a cooperative housing  
37 association, corporation, or partnership if the person claiming

1 exemption can establish that his or her share represents the specific  
2 unit or portion of such structure in which he or she resides. The term  
3 shall also include a single family dwelling situated upon lands the fee  
4 of which is vested in the United States or any instrumentality thereof  
5 including an Indian tribe or in the state of Washington, and  
6 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
7 residence shall be deemed real property.

8 (2) The term "real property" shall also include a mobile home which  
9 has substantially lost its identity as a mobile unit by virtue of its  
10 being fixed in location upon land owned or leased by the owner of the  
11 mobile home and placed on a foundation (posts or blocks) with fixed  
12 pipe, connections with sewer, water, or other utilities. A mobile home  
13 located on land leased by the owner of the mobile home is subject, for  
14 tax billing, payment, and collection purposes, only to the personal  
15 property provisions of chapter 84.56 RCW and RCW 84.60.040.

16 (3) "Department" means the state department of revenue.

17 (4) "Combined disposable income" means the disposable income of the  
18 person claiming the exemption, plus the disposable income of his or her  
19 spouse, and the disposable income of each cotenant occupying the  
20 residence for the assessment year, less amounts paid by the person  
21 claiming the exemption or his or her spouse during the assessment year  
22 for:

23 (a) Drugs supplied by prescription of a medical practitioner  
24 authorized by the laws of this state or another jurisdiction to issue  
25 prescriptions;

26 (b) The treatment or care of either person received in the home or  
27 in a nursing home, boarding home, or adult family home; and

28 (c) Health care insurance premiums for medicare under Title XVIII  
29 of the social security act.

30 (5) "Disposable income" means adjusted gross income as defined in  
31 the federal internal revenue code, as amended prior to January 1, 1989,  
32 or such subsequent date as the director may provide by rule consistent  
33 with the purpose of this section, plus all of the following items to  
34 the extent they are not included in or have been deducted from adjusted  
35 gross income:

36 (a) Capital gains, other than gain excluded from income under  
37 section 121 of the federal internal revenue code to the extent it is  
38 reinvested in a new principal residence;

- 1 (b) Amounts deducted for loss;  
2 (c) Amounts deducted for depreciation;  
3 (d) Pension and annuity receipts;  
4 (e) Military pay and benefits other than attendant-care and  
5 medical-aid payments;  
6 (f) Veterans benefits other than attendant-care and medical-aid  
7 payments;  
8 (g) Federal social security act and railroad retirement benefits;  
9 (h) Dividend receipts; and  
10 (i) Interest received on state and municipal bonds.

11 (6) "Cotenant" means a person who resides with the person claiming  
12 the exemption and who has an ownership interest in the residence.

13 (7) "Disability" has the same meaning as provided in 42 U.S.C. Sec.  
14 423(d)(1)(A) as amended prior to January 1, 2004, or such subsequent  
15 date as the director may provide by rule consistent with the purpose of  
16 this section.

17 (8) If a person received property tax relief under RCW 84.36.381  
18 for property taxes levied for collection in 2007 or 2008 then:

19 (a) "Income threshold 1" means the greater of eighteen thousand  
20 dollars or thirty-three percent of county median family income;

21 (b) "Income threshold 2" means the greater of twenty-four thousand  
22 dollars or forty-four percent of county median family income;

23 (c) "Income threshold 3" means the greater of thirty thousand  
24 dollars or fifty-five percent of county median family income.

25 (9) If a person did not receive property tax relief under RCW  
26 84.36.381 for property taxes levied for collection in 2007 or 2008  
27 then:

28 (a) "Income threshold 1" means thirty-three percent of county  
29 median family income;

30 (b) "Income threshold 2" means forty-four percent of county median  
31 family income;

32 (c) "Income threshold 3" means fifty-five percent of county median  
33 family income;

34 (10) "County median family income" means the county median family  
35 income that is used for determination of eligibility for housing  
36 assistance payment programs under section 8 of the United States  
37 housing act of 1937, as in effect on January 1st of the year in which  
38 tax relief is received.

1       **Sec. 3.** RCW 84.38.030 and 2006 c 62 s 3 are each amended to read  
2 as follows:

3       A claimant may defer payment of special assessments and/or real  
4 property taxes on up to eighty percent of the amount of the claimant's  
5 equity value in the claimant's residence if the following conditions  
6 are met:

7       (1) The claimant must meet all requirements for an exemption for  
8 the residence under RCW 84.36.381, other than the age and income limits  
9 under RCW 84.36.381.

10       (2) The claimant must be sixty years of age or older on December  
11 31st of the year in which the deferral claim is filed, or must have  
12 been, at the time of filing, retired from regular gainful employment by  
13 reason of physical disability: PROVIDED, That any surviving spouse of  
14 a person who was receiving a deferral at the time of the person's death  
15 shall qualify if the surviving spouse is fifty-seven years of age or  
16 older and otherwise meets the requirements of this section.

17       (3) The claimant must have a combined disposable income, as defined  
18 in RCW 84.36.383, of forty thousand dollars or less.

19       (4) The claimant must have owned, at the time of filing, the  
20 residence on which the special assessment and/or real property taxes  
21 have been imposed. For purposes of this subsection, a residence owned  
22 by a marital community or owned by cotenants shall be deemed to be  
23 owned by each spouse or cotenant. A claimant who has only a share  
24 ownership in cooperative housing, a life estate, a lease for life, or  
25 a revocable trust does not satisfy the ownership requirement.

26       (5) The claimant must have and keep in force fire and casualty  
27 insurance in sufficient amount to protect the interest of the state in  
28 the claimant's equity value: PROVIDED, That if the claimant fails to  
29 keep fire and casualty insurance in force to the extent of the state's  
30 interest in the claimant's equity value, the amount deferred shall not  
31 exceed one hundred percent of the claimant's equity value in the land  
32 or lot only.

33       (6) In the case of special assessment deferral, the claimant must  
34 have opted for payment of such special assessments on the installment  
35 method if such method was available.

36       (7) A deferral under this chapter must have been granted for the  
37 claimant's residence for taxes levied for collection in 2008. Eligible

1 deferrals may be renewed as provided in this chapter, but new deferrals  
2 may not be granted for taxes levied for collection after 2008.

3 **Sec. 4.** RCW 84.64.050 and 1999 c 18 s 7 are each amended to read  
4 as follows:

5 After the expiration of three years from the date of delinquency,  
6 when any property remains on the tax rolls for which no certificate of  
7 delinquency has been issued, the county treasurer shall proceed to  
8 issue certificates of delinquency on the property to the county for all  
9 years' taxes, interest, and costs: PROVIDED, That the county  
10 treasurer, with the consent of the county legislative authority, may  
11 elect to issue a certificate for fewer than all years' taxes, interest,  
12 and costs to a minimum of the taxes, interest, and costs for the  
13 earliest year.

14 Certificates of delinquency shall be prima facie evidence that:

15 (1) The property described was subject to taxation at the time the  
16 same was assessed;

17 (2) The property was assessed as required by law;

18 (3) The taxes or assessments were not paid at any time before the  
19 issuance of the certificate;

20 (4) Such certificate shall have the same force and effect as a lis  
21 pendens required under chapter 4.28 RCW.

22 The county treasurer may include in the certificate of delinquency  
23 any assessments which are due on the property and are the  
24 responsibility of the county treasurer to collect. For purposes of  
25 this chapter, "taxes, interest, and costs" include any assessments  
26 which are so included by the county treasurer, and "interest" means  
27 interest and penalties unless the context requires otherwise.

28 The treasurer shall file the certificates when completed with the  
29 clerk of the court at no cost to the treasurer, and the treasurer shall  
30 thereupon, with legal assistance from the county prosecuting attorney,  
31 proceed to foreclose in the name of the county, the tax liens embraced  
32 in such certificates. Notice and summons must be served or notice  
33 given in a manner reasonably calculated to inform the owner or owners,  
34 and any person having a recorded interest in or lien of record upon the  
35 property, of the foreclosure action to appear within thirty days after  
36 service of such notice and defend such action or pay the amount due.  
37 Either (a) personal service upon the owner or owners and any person

1 having a recorded interest in or lien of record upon the property, or  
2 (b) publication once in a newspaper of general circulation, which is  
3 circulated in the area of the property and mailing of notice by  
4 certified mail to the owner or owners and any person having a recorded  
5 interest in or lien of record upon the property, or, if a mailing  
6 address is unavailable, personal service upon the occupant of the  
7 property, if any, is sufficient. If such notice is returned as  
8 unclaimed, the treasurer shall send notice by regular first class mail.  
9 The notice shall include the legal description on the tax rolls, the  
10 year or years for which assessed, the amount of tax and interest due,  
11 and the name of owner, or reputed owner, if known, and the notice must  
12 include the local street address, if any, for informational purposes  
13 only. The certificates of delinquency issued to the county may be  
14 issued in one general certificate in book form including all property,  
15 and the proceedings to foreclose the liens against the property may be  
16 brought in one action and all persons interested in any of the property  
17 involved in the proceedings may be made codefendants in the action, and  
18 if unknown may be therein named as unknown owners, and the publication  
19 of such notice shall be sufficient service thereof on all persons  
20 interested in the property described therein, except as provided above.  
21 The person or persons whose name or names appear on the treasurer's  
22 rolls as the owner or owners of the property shall be considered and  
23 treated as the owner or owners of the property for the purpose of this  
24 section, and if upon the treasurer's rolls it appears that the owner or  
25 owners of the property are unknown, then the property shall be  
26 proceeded against, as belonging to an unknown owner or owners, as the  
27 case may be, and all persons owning or claiming to own, or having or  
28 claiming to have an interest therein, are hereby required to take  
29 notice of the proceedings and of any and all steps thereunder:  
30 PROVIDED, That prior to the sale of the property, the treasurer shall  
31 order or conduct a title search of the property to be sold to determine  
32 the legal description of the property to be sold and the record title  
33 holder, and if the record title holder or holders differ from the  
34 person or persons whose name or names appear on the treasurer's rolls  
35 as the owner or owners, the record title holder or holders shall be  
36 considered and treated as the owner or owners of the property for the  
37 purpose of this section, and shall be entitled to the notice provided

1 for in this section. Such title search shall be included in the costs  
2 of foreclosure.

3 ~~((The county treasurer shall not sell property which is eligible  
4 for deferral of taxes under chapter 84.38 RCW but shall require the  
5 owner of the property to file a declaration to defer taxes under  
6 chapter 84.38 RCW.))~~

7 NEW SECTION. **Sec. 5.** A new section is added to chapter 84.36 RCW  
8 to read as follows:

9 The valuation of a residence determined under RCW 84.36.381(7)  
10 shall apply for the levies of all taxing districts, unless the  
11 legislative authority of a county adopts an ordinance or resolution  
12 providing that valuations under RCW 84.36.381(7) do not apply within  
13 the county. If such an ordinance or resolution is adopted, valuations  
14 under RCW 84.36.381(7) do not apply to the levy of any taxing district  
15 upon property within the county, except the levy by the state. If the  
16 ordinance or resolution is repealed, valuation of a residence  
17 determined under RCW 84.36.381(7) applies to the levies of all taxing  
18 districts upon property within the county.

19 NEW SECTION. **Sec. 6.** A new section is added to chapter 84.55 RCW  
20 to read as follows:

21 The levy for a taxing district in any year must be reduced as  
22 necessary to prevent exemptions under RCW 84.36.381(7) from resulting  
23 in a higher tax rate than would have occurred in the absence of the  
24 exemptions under RCW 84.36.381(7).

25 NEW SECTION. **Sec. 7.** This act applies to taxes levied for  
26 collection in 2009 and thereafter.

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